

Rail-Splitter Capital Management

Rail-Splitter Insights

a weekly commentary on
investing

Rail-Splitter Capital Management is focused on protecting and growing wealth for our clients. Our services are provided through Delta Investment Management a registered investment advisory firm.

We welcome discussions on how we can help you manage your assets and maximize your wealth.

Please contact us at info@rail-splitter.com or 312-724-8722.

Barbell Viewpoints: Navigating Volatility with Balance

April 18, 2025

Recently market volatility has been driven by elevated uncertainty about the future economic outlook. For the most part, the economy seems to be doing well right now. Bank of America and Citigroup traded 4%-5% higher following their better-than-expected earnings on Tuesday. Taiwan Semiconductor, Charles Schwab and American Express all delivered better-than-expected earnings.

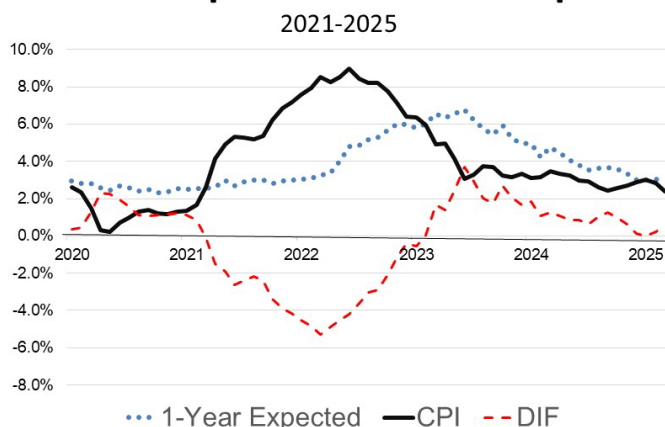
United Airlines also reported better-than-expected results and record revenue for Q1 but then gave two full-year outlooks due to what it calls an "impossible to predict" economy. The first outlook in a "stable environment" is \$11.50-13.50 per adjusted share. United then provided an outlook in a "recessionary environment" with an earnings forecast of \$7.00-9.00 per adjusted share. The potential wide range of earnings outcomes underscores the heightened sense of uncertainty and explains investors' hesitation to buy stocks with conviction.

Inflation Divide

The University of Michigan Consumer Sentiment Survey released last Friday showed one-year inflation expectations have risen to their highest level (6.7%) since 1981. But, there is no consensus on this forecast. Democrats forecast inflation at 7.9%, while Republicans estimate it to be only 0.9%. The Federal Reserve Bank of New York's consumer inflation expectation at the one-year horizon is 3.6%. From the chart below, one can see

expectations (dotted blue) completely missed the surging CPI (black line) in 2021-22. For the past two years, inflation is coming in better than expected.

Inflation Expectations vs. CPI Reported



Federal Reserve Bank of New York

In a CBS poll conducted April 8-11, 42% of Democrats believe tariffs will cause the U.S. to lose manufacturing jobs versus 85% of Republicans think it will add jobs. 4% of Republicans expect tariffs to cause manufacturing job loss in the U.S. 84% of Democrats believe Trump does not have a clear plan for tariffs and trade versus 91% of Republicans think he does have a clear plan.

With Democrats and Republics at opposite ends of the barbell, their combined outlook for economic conditions a year from now is roughly balanced with 29% expecting a “booming/growing” economy and 33% expecting recession. The in-between states of “holding steady” and “slowing” are 17% and 20%, respectively.

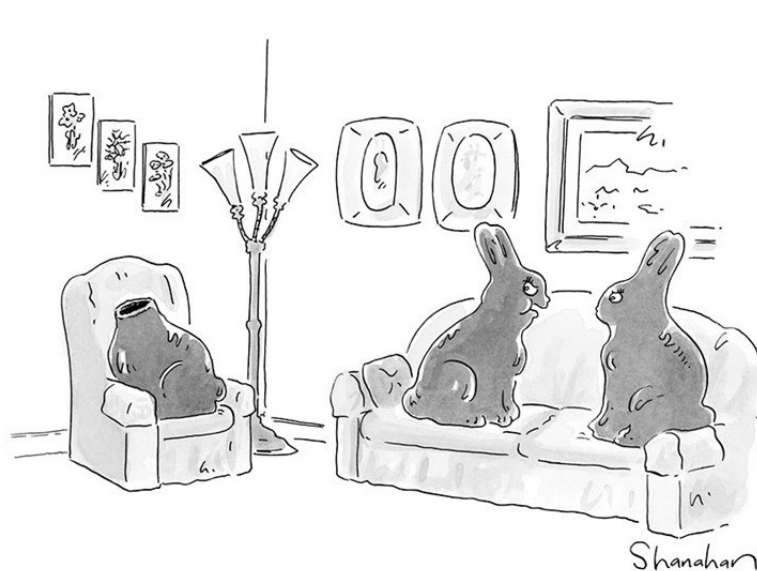
A barbell has heavy weight on either end but is balanced in the middle. Those who believe the administration tariff policies are harmful, will likely become more defensive in their consumption patterns near term. For those who believe the White House will cause the economy to “boom” over the next year, they should continue to be growth-minded in their consumption and investing behavior. The divided outlook adds volatility, but it may not create economic collapse as sellers are offset with buyers and despair is balanced with optimism.

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Whether you're a seasoned investor looking to optimize your portfolio or someone just starting to explore investment opportunities, our team is dedicated to providing tailored solutions to meet your financial goals.

To learn more about how we can help you navigate the complexities of the financial markets and achieve your investment objectives, we invite you to reach out to us. You can give us a call at **(312) 724-8722**, visit our website at www.rail-splitter.com, or simply email us at info@rail-splitter.com.



"Hollow—just as I've always suspected."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

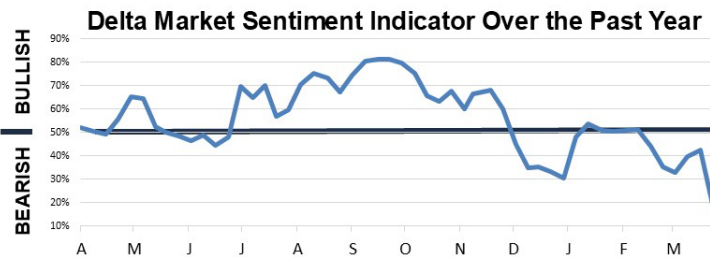
24.0

Our technical indicator increased
from 19.3 to 24.0 this week

INDICATOR STATISTICS

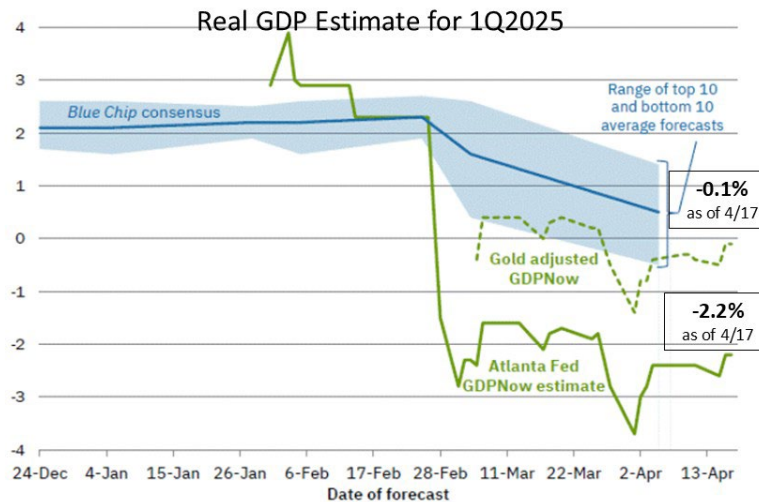
Consecutive Bearish Weeks:	7
Cycle Inception Date:	3/6/2025
Range:	19.3 - 43.9
Mean::	33.9
Bullish Weeks YTD:	5
Bearish Weeks YTD:	11
*S&P 500	-7.9%
*DJIA	-8.0%
*NASDAQ	-9.9%

* Percentage change during current cycle



Delta Market Sentiment Indicator (MSI) is published weekly in Barron's

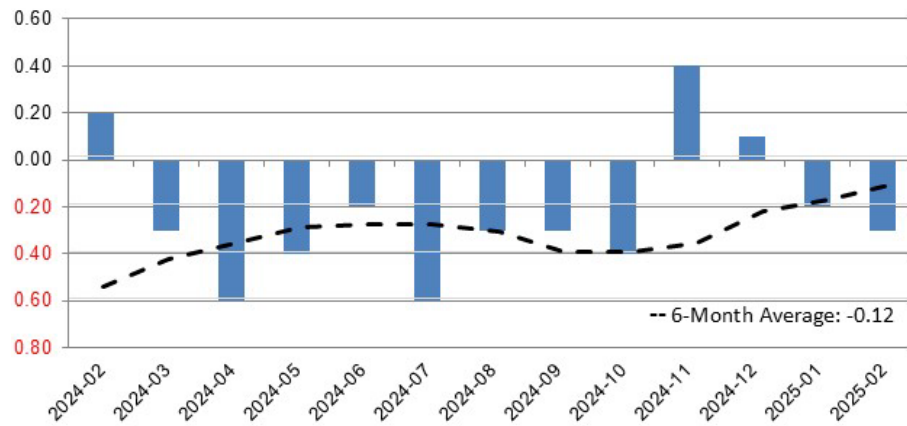
Evolution of Atlanta Fed GDPNow Forecast



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Leading Economic Index % Change Monthly

Feb 2024 – Feb 2025



Source: The Conference Board – last update 3/20/2025

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